UNITED STATES EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE MULTI-STAKEHOLDER GROUP ADVISORY COMMITTEE MEETING NOVEMBER 16-17, 2016

SUMMARY OF PROCEEDINGS

U.S. DEPARTMENT OF THE INTERIOR
PREPARED: DECEMBER 2016

I.   Introduction

The U.S. Department of the Interior (DOI), with Paul Mussenden presiding as Acting Designated Federal Official (DFO), convened the nineteenth meeting of the U.S. Extractive Industries Transparency Initiative (USEITI) Multi-Stakeholder Group Advisory Committee (MSG) on November 16-17, 2016, in Washington, DC. The purpose of the meeting was to review and endorse the 2016 USEITI Report and Executive Summary; make decisions regarding the request for extending Adapted Implementation and the USEITI Beneficial Ownership Roadmap; approve the June 2016 MSG meeting summary, the USEITI MSG Endorsement of Open Data, and the 2017 USEITI Workplan; receive updates on the work of MSG subcommittees including the Implementation Subcommittee, Communications Subcommittee and the State and Tribal Opt-in Subcommittee; and discuss miscellaneous issues including Independent Administrator recommendations for 2017, lease-level unilateral disclosure, mainstreaming, and U.S. validation.

Please note that, throughout this meeting summary, comments made by presenters, Independent Administrator (IA) team members, other non-MSG members, and those directly pertaining to an MSG decision are attributed to specific speakers. Other comments are provided without attribution in order to foster open discussion among MSG members excepting final deliberations prior to specific MSG decisions.

Interested parties are asked to contact USEITI at useiti@ios.doi.gov or 202-208-0272 with any questions, comments, or concerns regarding the content of this meeting summary.

The following items are included in this meeting summary:

II.   Summary of Endorsements, Decisions, Approvals, Confirmations, and Action Items

A.   Endorsements

- The MSG endorsed the 2016 USEITI Report, Executive Summary, and Appendix. *(see page 17)*

B.   Decisions

- The MSG decided to submit the request for extending Adapted Implementation to the EITI International Board. The USEITI Secretariat shall transmit the document to the EITI International Board on or before January 1, 2017. *(see page 23)*
- The MSG decided to submit the USEITI Beneficial Ownership Roadmap to the EITI International Board. The USEITI Secretariat shall transmit the document to the EITI International Secretariat on or before January 1, 2017. *(see page 37)*

C.   Approvals

- The MSG approved the June 2016 MSG meeting summary. *(see page 6)*
- The MSG approved the policy statement titled "USEITI MSG Endorsement of Open Data." *(see page 17)*
- The MSG provisionally approved the 2017 USEITI Workplan, with final approval pending from the MSG Co-chairs. The USEITI Secretariat shall transmit the document to the EITI International Secretariat on or before January 1, 2017. *(see page 10)*

D.   Confirmations

- No confirmations were made by the MSG at the November 2016 MSG meeting.

E.   Action Items

- ➢ **Co-Chairs:**
  - o Review and distribute meeting summary from November 2016 MSG meeting to MSG members.
  - o Develop agenda for February 2017 MSG meeting.
  - o Invite auditors, ONRR staff, and company experts to explain and explore standard audit and assurance processes already in place by February 2017. *(see page 24)*
- ➢ **Implementation Subcommittee**

- o Consider discussion of jobs data, multi-year metrics of progress, conversion to common energy units, and production data for some minerals like gold for 2017 report. *(see section beginning on page 12)*
- o Discuss DOI audit procedures and their applicability to the reconciliation process at November 30, 2016 meeting, as well as timing and next steps; prepare presentation on these issues for February 1-2, 2017 MSG meeting. *(see page 24)*
- o Review reporting of various streams of revenue, thresholds, and level of effort required for such reporting given past two year's experience by December 2016 or January 2017. *(see section beginning on page 27)*
- o Consider including scope and margin of variance issues in the 2017 USEITI Report. *(see page 27)*
- o Consider IA recommendations on improving efficiency of the reconciliation process. *(see page 28)*
- o In preparation for the February 2017 MSG meeting, consider whether to add additional commodities by December 2016, consider and vet any new country case studies, and submit required materials to ONRR by January 2017. *(see sections beginning page 12 and page 28)*
- o Begin implementing activities from the Beneficial Ownership Roadmap for 2017. *(see page 35)*
- o Work on developing documentation to support USEITI validation, especially in more challenging areas. *(see page 42)*
- o Implementation Subcommittee workgroups explore possible areas of agreement on which requirements could be classified as "green" versus "yellow." *(see page 42)*

➢ **Communications Subcommittee**
- o Prepare 2017 Communications Plan considering both 2016 outreach experiences and MSG input by February 2017. *(see section beginning on page 19)*

➢ **State and Tribal Opt-in Subcommittee**
- o Engage Colorado, North Dakota, and Pennsylvania as well as interested tribes. *(see page 21)*
- o Obtain final list of states and tribal opt-ins by April 2017, and advise ONRR on whether to exercise IA contract option. *(see page 28)*

➢ **Independent Administrator (Deloitte)**
- o Review whether DOI audit procedures would satisfy EITI reconciliation requirements, the relative cost-effectiveness of these audit procedures as compared to the current USEITI reconciliation process, and the timeline for implementing any revisions to the USEITI reconciliation process. *(see page 24)*
- o Consider whether careful review and description of DOI audit procedures might help demonstrate the potential for mainstreaming of USEITI reporting. *(see section beginning on page 24)*

- o Prepare proposal for additional visualizations/topics for the 2017 Report to be decided by the MSG at the February 2017 meeting by December 2016 or January 2017. *(see section beginning on page 30)*
  - o Conduct mainstreaming feasibility assessment by February 2017. *(see page 37)*
  - o Explore whether there adjustments to scope and margin of variance could reduce the level of effort required of companies and the government. *(see page 27)*
- ➤ **General Services Administration (GSA) 18F**
  - o Provide information to the MSG on where to find detailed implementation notes on the USEITI website. *(see section beginning on page 12)*
- ➤ **USEITI Secretariat**
  - o Conduct initial desk audit regarding validation pre-assessment and discuss with the MSG. *(see section beginning on page 38)*
- ➤ **USEITI Process Facilitator (Consensus Building Institute)**
  - o Distribute action items from the November 2016 MSG meeting.
  - o Create a meeting summary for the November 2016 MSG meeting by December 2016.

III.   Presentations and Key Discussions

Greg Gould, Co-Chair of the USEITI MSG Government Sector and Director of the Office of Natural Resources Revenue (ONRR) at DOI, opened the meeting and welcomed participants. All individuals in attendance introduced themselves. A full attendance list can be found in Section VI – Meeting Participants, page 43.

A.   Welcome, Introductions, and Agenda Review

Paul Mussenden, Deputy Assistant Secretary, Natural Resources Revenue Management, DOI, provided opening remarks. He noted several key milestones that would occur in the meeting, including approving the second annual EITI Report. He also suggested that the upcoming political transition was likely on the minds of many MSG members, and that those in government were focused on making sure it will be smooth and orderly. He reminded MSG members that this would be the last USEITI MSG meeting of the current administration; for this reason Secretary of the Interior Sally Jewell and National Security Council Member Mary Beth Griffin would both be speaking to the group to thank members for their efforts.

Pat Field, facilitator from the Consensus Building Institute, then provided a broad overview of the agenda for the upcoming two days.

B.   USEITI MSG Business

The MSG conducted the following items of business during the course of the MSG meeting.

1.   Terminology and USEITI June 2016 Meeting Summary

Judy Wilson, USEITI Secretariat, reminded meeting participants that the MSG has agreed to employ three terms to differentiate between different types of actions that the MSG takes:

- "Decisions" will indicate significant actions and agreements by the MSG key to meeting EITI international standards.
- "Approvals" will indicate lower-level decisions by the MSG, such as approving work plans, meeting summaries, process changes or additions, etc.
- "Confirmations" will confirm decisions that the MSG has previously made.

The MSG approved the meeting summary of the June 2016 MSG Meeting. A copy of the final, approved meeting summary is available online at: https://www.doi.gov/sites/doi.gov/files/uploads/useiti_msg_-_june_2016_mtg_summary_v4_160913.pdf.

- ➢ **Approval: The MSG approved the meeting summary from the June 2016 USEITI MSG meeting.**

2.   Update from EITI Board Meeting

Mary Warlick, Principal Deputy Assistant Secretary of State, Bureau of Energy Resources, U.S. Department of State and member of the EITI International Board Finance Committee, provided an update on the EITI Board meeting held in Kazakhstan in October 2016. She reported that it was a productive meeting that tackled a variety of issues, including internal governance, decision-making procedures, financial sustainability, and Candidate Status safeguard requirements.

Regarding internal governance issues, Ms. Warlick noted that the Governance and Oversight Committee, which she chairs, had been working to advance a series of reforms designed to help the organization function more effectively, including issues related to nominations for the next Chair of the EITI International Board, annual performance reviews for the Executive Director and Head of the Secretariat, and term limits for the Head of the Secretariat. The board conducted a performance review for the Head of the Secretariat in advance of the board meeting, and agreed to extend the term of the Head of the Secretariat for an additional two years until the end of 2018.

With respect to board decision-making procedures, Ms. Warlick noted that the board is a consensus-based organization but that there have been instances where members have not been comfortable with the nature of the consensus achieved. The Governance and Oversight Committee developed suggestions for providing greater clarity around how decisions are made. Most of the committee's resolutions on the issue were approved. The Oversight Committee is now working to clarify language in the board manual and drafting amendments to the relevant articles.

With respect to financial sustainability, Ms. Warlick noted that identifying sustainable funding sources for the EITI Secretariat represents a key challenge. While supporting countries have dedicated substantial funds to supporting EITI efforts, much of this has been distributed through a World Bank trust and through bilateral aid programs. The U.S. has not put money into funding the Secretariat even as there is a feeling that the Secretariat is taking on an increasing amount of work, in particular related to validation. The Board discussed how to obtain agreement on a minimum or mandatory funding level. Companies agreed to provide a range of $20,000-$60,000 in support depending on the size of the company, but the country constituencies were more divided. The U.S. would not commit to mandatory country contributions absent an expenditure review mechanism being put in place, even though the U.S. wants to support the EITI Secretariat and recognizes that the Secretariat's work is important and impactful. The U.S. hopes to make annual contributions for one to two years going forward. The U.S. also expressed a desire for the Secretariat to seek additional funding from foundations.

The board meeting also included a number of discussions on candidate status safeguard requirements. In advance of the meeting, Azerbaijan had taken a number of positive actions, for example dropping criminal charges against members of civil society. But the board still determined that Azerbaijan had not met EITI's civil society standards. John Harrington from Exxon Mobile, who also attended the board meeting, added that validation for Azerbaijan was not a close issue because the country had taken key actions only days before the board meeting. Ms. Warlick noted that the board was requiring Azerbaijan to take additional actions prior to the next board meeting to maintain its candidate status.

Ms. Warlick added that board members expressed concern about whether countries that have recently been validated — such as Mongolia, Indonesia, Peru, and Timor Leste — would be able to meet Candidate Status safeguard requirements moving forward. Similar concerns were expressed regarding the fourteen additional countries that will be ready for review in February 2017, and the seventeen country validations that will be initiated in 2017. There are concerns that a number of countries may eventually face suspension. Some board members suggested that it will be important to look to successful countries for lessons learned.

MSG members made the following comments and asked the following questions following Ms. Warlick's presentation; *Ms. Warlick's responses to questions and comments are indicated in italics*:
- Countries are facing the application of new safeguards and are wondering what they mean. Countries must make satisfactory progress on all four key components of the safeguard requirements in order to avoid triggering a decision on whether they will be de-listed. Countries are facing significant challenges on the civil society engagement component, even though the meaning of this component is not fully defined. Eventually, the board will need to consider the criteria for this component more fully. However, with respect to

Azerbaijan, this was not a close issue. *The EITI Board will have to reassess this situation in a few months.*

- Civil society safeguards are very important and are also a significant cause of challenges to validation. Are there lots of examples of other countries where the civil society situation is as extreme as in Azerbaijan, or is the issue generally less significant elsewhere? *Everyone agrees that civil society engagement is central to EITI. Requirement 8.3(c) is the new standard; it was altered last year and gets revised every three years. While it is important to set high standards and Azerbaijan clearly had more work to do on this issue, the jury is out regarding the rest of the validations. If nine out of every ten countries end up not meeting the standard, then it might be necessary to reevaluate the grading.*

- Countries are concerned about what happens if a government does all it can to open up space for civil society, but civil society groups still do not participate in the EITI process. While some countries have definitely closed civil society space, in others it is not clear how to evaluate the lack of civil society engagement.

- What are other Board members asking about or commenting about regarding the candidacy of the U.S.? *There is interest in how the candidacy of the U.S. is progressing, and concerns about how the U.S. will meet some requirements. However, there is a broad cross section of countries that have expressed appreciation at the assistance the U.S. has provided and that have suggested USEITI is a model.*

3.   Workplan

Chris Mentasti, ONRR, reviewed the 2017 USEITI Workplan. He noted that the MSG is required to update and approve its workplan every year. The workplan must be linked to EITI principles, reflect the results of consultations with stakeholders, involve measurable and time bound activities, identify funding, be available to the public, be reviewed and updated annually, and include a timetable for implementation that is aligned with reporting and validation deadlines. Mr. Mentasti then proceeded to review the various sections of the workplan narrative.

Mr. Field suggested that participants pay special attention to the list of goals for 2017 appearing on page 7 of the draft workplan. Participants offered the following comments and asked the following questions; *responses from Mr. Mentasti are in italics*:

- Veronica Slajer, North Star Group, suggested it would be helpful to institutionalize some of the language in the workplan, so it is not connected to any particular administration.

- Lynda Farrell, Pipeline Safety Coalition, suggested adding clarity to the first sentence in the background section, to avoid suggesting the initiative began in 2011.

- Dan Dudis, Public Citizen, suggested adding a goal around redefining the universe of companies that are considered "in scope" through some other means besides the 80% of revenues approach. He suggested the current list of companies is heavy on oil and gas, and light on mining.

- o Mr. Harrington concurred with this request. He added that the goal should be to reevaluate the basis for selecting companies for inclusion in reporting.
  - o Danielle Brian, Project on Government Oversight, suggested this approach could involve reviewing the materiality threshold, which is based on payments to ONRR. *Mr. Mentasti commented that he believed that is how this issue is currently phrased in the document.*
- David Romig, Freeport-McMoRan Oil & Gas, requested that the third bullet on page 8 be changed from "pre-feasibility" to "feasibility."
- Paul Bugala, American University, asked whether there might be additional detail about the beneficial ownership process in the more detailed work plan. *Mr. Mentasti replied that all of the action items at the end of the beneficial ownership section were included in the narrative draft.*
- Mr. Mussenden suggested adding a bullet under national priorities stating "Leadership by example."
- Ms. Slajer commented that it might be helpful to mention work that has been done with other countries, for example the bilateral work with Mexico, and note that this work is continuing into 2017. *Mr. Mentasti replied that this work is mentioned in the document in general terms.*
- Mr. Mussenden suggested adding a bullet under "funding and resource constraints" to request "any funding required to support validation," generally, in order to reflect a small, $10,000 contribution for validation. Mr. Gould noted that the desire is for this funding to be an annual payment.
- Mr. Romig asked whether, given that the MSG had discussed new work streams related to reviewing margin of variance, adding information to data portal, and other issues, it might be necessary to add those items into the workplan.
  - o *Mr. Mentasti replied that it is possible to tentatively approve the document and then add these items after the fact.*
  - o *Mr. Field clarified that the MSG can provisionally approve the workplan and then the Co-chairs can approve it with these additions.*
  - o *Mr. Harrington added that it is a living document that is frequently changing.*

The 2017 USEITI Workplan was provisionally approved, pending the Co-chairs' final approval.

> **Provisional approval: The MSG provisionally approved the 2017 USEITI Workplan, with final approval pending from the MSG Co-chairs. The USEITI Secretariat shall transmit the document to the EITI International Secretariat on or before January 1, 2017.**

4.   Committee Member Retirement

Mr. Gould announced that Mr. Harrington would be retiring and leaving the MSG. Mr. Gould and other committee members thanked Mr. Harrington for his service and wished him the best.

C.   Comments from Senior US Government Officials

Two government officials — Sally Jewell, Secretary of the Interior, and Mary Beth Goodman, Special Assistant to the President and Senior Director for Development and Democracy, National Security Council — offered comments to the MSG on the value of its work.

1.   Remarks by Secretary Sally Jewell

Secretary Jewell offered remarks thanking the MSG for its work, praising the USEITI website, and noting the importance of the accomplishments and mission of the MSG. A full transcript of Secretary Jewell's remarks can be found in the appendix beginning on page 45.

2.   Remarks by Mary Beth Goodman

Ms. Goodman provided additional words of thanks to the MSG. She noted that as a Senator, President Obama was inspired by EITI and its potential to transform economies in developing countries. There has been a huge amount of progress in the intervening years. When the Administration entered office there were 30 countries implementing EITI, mostly in the developing world. Now there are 51. The U.S. was the first of the world's major economies to announce its participation, and the results have been transformative.

Members of the MSG have been trailblazers in this effort, and have helped both to transform how we convey information in the U.S., and to expand and broaden EITI internationally. Internationally, President Obama has announced that this effort is part of an open government partnership, which involves seven heads of state. Within this partnership, there is a significant body of work involving private sector, civil society, and governments in anti-corruption efforts related to extractives. The USEITI online portal will be displayed at the next open government partnership meeting in December.

Ms. Goodman concluded by noting that she looks forward to hearing more about the MSG's work in the future.

D.   Review and Approval of 2016 EITI Report and Executive Summary

Members of the Independent Administrator (IA) team from Deloitte and the team from GSA 18F provided updates on the reporting and reconciliation process and the 2016 EITI Report and Executive Summary. These updates and accompanying MSG discussions are summarized below.

1.   Review of 2016 Reporting and Reconciliation

Alex Klepacz, IA team member from Deloitte, presented on the 2016 Reporting and Reconciliation Results. He noted that 25 companies reported and reconciled revenues out of 41 that were eligible, 12 companies reported taxes out of 38 eligible, and 7 out of 38 reconciled taxes. There were 21 explained variances, no unexplained variances, and 10 companies with variances. Compared to 2015, fewer companies reported and reconciled revenues, the same number reported taxes, and a greater number reconciled taxes. In 2016, 79% of total government non-tax revenue for in-scope companies was reconciled, versus 81% in 2015. Additional information is available in Mr. Klepacz's presentation slides, available online at: [XXXX].

MSG members made the following comment and asked the following question following Mr. Klepacz's presentation; *Mr. Klepacz's response is indicated in italics*:

- Are the types of variances recurring, such as the timing issues that have occurred in the past, or are there signs that companies are learning to avoid them? *There was a new issue this year with pay.gov. BP corrected it and others will do so as well. However, the other variances are not new issues. They include timing issues and accounting issues such as royalties being placed in the bucket of bonuses.*
- In terms of the degree of eligible reporting by companies, the data look fairly consistent from 2015 to 2016. Given market conditions and the number of companies in bankruptcy, keeping these numbers fairly even should be considered an accomplishment.

2.   Review of Executive Summary

Sarah Platts, IA team member from Deloitte, reviewed updates to the 2016 Report and Executive Summary. She noted that the 2016 Executive Summary is significantly abbreviated as compared to the Executive Summary in the 2015 USEITI Report. New sections in this year's summary include state and tribal opt-in information and three new additions approved by the MSG: abandoned mine lands (AML) visualization, coal excise additions, and audit controls processes in the U.S. At the start of each section there is a callout box that explains how to find more information in the full report online. The review process for the Executive Summary involved distributing multiple iterations to the Implementation Subcommittee, the Co-chairs, and the Online Advisory Workgroup for their review and feedback.

Mr. Gould expressed thanks to Ms. Platts, and reminded MSG members that the majority of the information from last year's report is still available online. He suggested that the combination of the brief Executive Summary and the larger online report represents an excellent way to provide information to the public.

Mr. Mussenden asked the group for feedback or suggestions on the 2016 Executive Summary, and MSG members offered the following comments:

- Moving forward, more should be done to make sure MSG members all agree that the Executive Summary and the online portal accurately reflect their

thinking. For example, in the Contextual Narrative Subcommittee, there was a decision to break out jobs in extractives by commodity at the state and national levels, but this is not reflected in the Report. Jobs are the first issue that comes up in public outreach sessions.

- The Executive Summary is very strong. Moving forward, USEITI should develop a page where readers can see how many companies were eligible each year, how many reported, and what their revenues and taxes were. This would help readers identify overall trends and see whether participation is increasing.

3.   USEITI Report/Data Portal

Michelle Hertzfeld and Corey Mahoney, GSA 18F, reported on progress and updates to the full 2016 USEITI Report and Data Portal. Ms. Hertzfeld noted that the website had benefitted from significant improvements over the past year, including process improvements that allowed the design team to get new usable information up on the site. She noted that because the MSG only meets two to four times a year, the Online Advisory Workgroup served a critical role in providing quick feedback, allowing the 18F development team to continuously test and add new information and develop new features.

Ms. Mahoney, a content designer with 18F, demonstrated various portions of the website. She noted that she and the other members of the team at 18F are very proud of the site and excited about what it can do. She explained that in a previous iteration, the website was organized by dataset. This confused users, who for the most part did not understand the datasets. Now, the site's "Explore Data" function is organized by location. The team discovered that users are interested in exploring data about the region in which they live. Currently, there is a national profile page and a series of regional profile pages.

Ms. Mahoney showed the page for Texas to the MSG, demonstrating how the page includes all location based datasets, walks users through these datasets in a logical way, and pulls in relevant contextual information. There is also improved mobile navigation and display, and connections between the state profiles and nearby offshore areas and case studies.

Ms. Mahoney suggested that the state profile pages are well set up to manage information coming from opt-in states. For Wyoming, Montana and Alaska the state-level data is incorporated seamlessly. There is also deep contextual information in a state governance section at the bottom of the page, and new color schemes and glossary items. Users can click on maps, expand them, see what numbers correspond to the maps, and see full tables of relevant information. The maps update by year.

There is also a "How It Works" section, which now has more of a Q&A format. This section contains all information that is non-location based, such as the AML reclamation program, company excise tax information, and audit and controls information.

Lastly, there is a "What's New" section, which summarizes what is new on the website.

Ms. Mahoney offered an explanation of the data on revenue, economic impact, and jobs. She noted that the revenue data has lots of contextual information, which was confusing users, so there is now a chart that organizes revenue according to process. The chart includes pre-production revenue, during-production revenue, and actual rates. For revenue from production on federal land, there is data down to the county level. There is a state revenue section, but in most cases contains no information, except for the three opt-in state pages. There are data on ONRR disbursements back to the state and, if relevant, the data are out by offshore and onshore disbursements. There are economic impact data mostly down to state level, covering the full state, not just federal lands. There are two types of jobs data: data on wage and salary jobs down to county level, and self-employment data at the state level only.

In the discussion following Ms. Hertzfeld and Ms. Mahoney's presentation, MSG members made the following comments and asked the following questions, organized by theme; *direct responses to questions and comments are in italics, with the speaker indicated, as relevant*.

Clarifying questions
- Mr. Mussenden asked for clarification on the source of the underlying data activity at the state and county level. *Luke Hawbaker, IA team member, replied that they come from state and county level governments.*
- Mr. Mussenden next asked where production-level data is located on the website. *Robert Kronebusch, ONRR, answered that it is located in Explore Data* → *Production. It comes from ten years of data from ONRR Form 2014, reported to ONRR in its production and royalty reports. Royalty reports by county are also available in the USEITI Report.*
- Mr. Mussenden asked whether production on state land is included.
  - *Mr. Kronebusch replied that it is not included, at least not from federal ONRR sources.*
  - *Ms. Mahoney added that there are a number of different production data sets that feed into the USEITI Report. They have production on all lands, US Energy Information Administration (EIA) datasets, and federal lands production. In each section, they have a data and documentation link to detailed notes on where data comes from, data sources, and how they used the data.*
- Mr. Mussenden asked whether this information can be accessed both through the location-based portion of the site and through "Explore Data"; *Ms. Mahoney replied in the affirmative*.

Overall impressions

- Mike Matthews, State of Wyoming, noted that the website has exceeded expectations, in particular through its very usable and accessible use of rolled up data, and policymakers have begun referring to it already.
- Stella Alvarado, Anadarko Petroleum, added that the website is excellent and that it is especially helpful to put so much information on one page. She suggested it will benefit research, analysis, and policymaking.
- Betsy Taylor, Virginia Polytechnic Institute and State University, suggested it is important to let the public know about the limits of the data, and whether it is confusing or potentially inaccurate. She added that it would be helpful to have more of an indication of the category of the state level information, such as whether it is from the coal or natural gas sector, and that the state level data should also include renewables. Next year, she said, USEITI should give some more careful consideration on how to present this data. Ms. Taylor also suggested it would be helpful to obtain notes from 18F on how decisions were made on what datasets to include on the website. *Ms. Hertzfeld promised to direct the MSG to the portions of the website that contain this information.*

Jobs and revenue data
- Danielle Brian, Project on Government Oversight, asked whether jobs are identified. *Ms. Mahoney answered that jobs appear under "Economic Impact." If extractive industry jobs comprise more than 2% of state employment, that number is noted on the state page and there is a link to that data for the state. State pages will also note any significant "all lands" production information, and make note of the profile of landownership in the state. If a state ranks in the top five among states in production of any resource, that resource is listed on the state page. There is information on energy production across the state regardless of land ownership, and ten-year trend lines that update automatically. The state pages also include federal land production, for which there is county level data.*
- In response to a question from Mr. Mussenden on whether it is true that data from the state and county come from production on federal lands, *Ms. Mahoney answered yes, and Mr. Kronebusch added that the state data come from EIA. Ms. Mahoney further added that the EIA data generally do not include county level data.* Ms. Brian asked whether the economic impact data are for all extractives, not separated by commodity.
  - *Ms. Hertzfeld replied yes, and noted that they were uncomfortable using the commodity categorizations because they were different from what appears on the site elsewhere.*
  - *Mr. Hawbaker added that the datasets used for the "Economic Impact" section are very rarely broken out by commodity.*

Unit conversions
- Mr. Matthews suggested it would be helpful to add a feature allowing users to convert MBTUs to megawatt hours generated, which would make it possible to

compare the cost of production of coal versus natural gas using the same units. *Ms. Mahoney replied that the website does not currently offer unit conversion, although it does have definitions of units. She suggested this is an area where they could improve usability going forward.*

- Mr. Dudis added that convertibility is important, but comparisons among energy types should not just be about price. There are other things that are important to the U.S.'s energy mix beyond just cost.
- Ms. Farrell suggested that for civil society, until USEITI takes into account the full spectrum of what "cost" means, the website needs to be clear about the limits of what it presents. Any cost analysis on the site should be clearly defined.
- Mr. Romig suggested that USEITI's focus should be on transparency of revenues as it relates to payments to the government, not other issues like cost.

Transition from 18F to the Department of Interior
- Paul Bugala, American University, asked about what challenges are expected in light of the upcoming transition of creation of the USEITI Report from 18F to the Department of Interior, and what is being done to make sure the data remain as useful in the future as they are today.
  - o *Mr. Gould commented that there should not be any changes. They do not intend to change the data gathering process or the technical expertise of the staff.*
  - o *Ms. Hertzfeld added 18F will be working closely with the Department of Interior over the next fiscal year to help ensure a smooth transition.*

Usability
- Betsy Taylor, Virginia Polytechnic Institute and State University, commented that the portion of the site that helps users navigate other websites is very helpful, and suggested a chat room would be another helpful addition. She also suggested they should consider the reusability of the info-graphics and the site overall. Currently, screen capture is the only way to capture some of the charts for use in Powerpoint. They should make it easier to reproduce the charts and print them out. *Ms. Hertzfeld replied that they are working on this last issue and that there are a few upcoming improvements but that these suggestions will need to be discussed further.*
- Ms. Brian asked whether it might possible to provide production data at less aggregated levels, as aggregated data is less useful.
  - o *Ms. Hertzfeld replied that the ability to provide something less aggregated depends on the type of production data.*
  - o *Ms. Mahoney added that there are two datasets. First, there are EIA data, which were available previously, and are nationwide for energy commodities only. Second, with EITI, they now have data on production on federal land down to the commodity. They have data on a lot of*

commodities, but on each state page they only show the commodities available in that particular state.

Non-royalty bearing commodities and USGS data
- Mr. Gould asked whether the production data include only royalty bearing commodities, and Ms. Brian added that there is a concern that they may be inaccurately representing that production is not occurring just because there is no revenue data. *Ms. Mahoney replied that they have been as careful as possible about the phrasing on this issue. For example, they have said, "There are no data about production of gold and silver on federal lands."*
- Ms. Brian noted that USGS collects some data on non-royalty bearing commodities, and asked whether they could include that data in some form.
  - *Mr. Gould noted that the USGS data are accurate but not complete.*
  - *Ms. Mahoney added that they have discussed linking to the USGS pages.*
  - *Ms. Hertzfeld noted that the USGS data are released in the form of research reports in pdf form and with each commodity structured differently. She suggested it would be extremely labor intensive to integrate these data into the USEITI report without obtaining the data in a machine-readable format.*
- Ms. Brian asked whether it would be possible to speak with USGS to see if it has a dataset they could use. *Mr. Gould responded that the USGS data are typically compiled for research reports, and they may be many years out of date. The USGS reports provide useful historical data, but they are less useful as a source of yearly summary data.*
- Mr. Mussenden commented that considering the value of the USGS data, it might be helpful to better understand the data's shortcomings and how they could be enhanced. *Ms. Mahoney responded by noting that they link to the USGS data when possible and when they're available, for example in the contextual information for some opt-in states in contextual information. They have not found a way to do this programmatically for every state.*
- Mr. Dudis suggested that instead of saying there are no data for commodities like gold and silver, it might be more accurate for the site to say "N/A." He also asked why there are data on the site about obscure minerals, but not gold and silver. *Mr. Gould noted in response that they have information for royalty-bearing minerals on federal land, not minerals governed by statutes that do not require royalty payments to mine. The Mining Act does not require them to collect royalties, but all of those other obscure minerals are royalty bearing. And there is a lot of state production for which they do not receive revenue.*
- Ms. Taylor suggested that going forward they should conduct a systematic evaluation of the quality of the data, and bring key decisions to the MSG. She noted her concern that the pressure to get data up on the portal has led to quiet decisions on data quality, which has meant some data are not considered publicly available. If data that do not rise to the standards do not appear on the

website, it makes it look like that data do not exist. She suggested they need a more systematic and thorough conversation on how to grade quality of data.

  - o *Mr. Field commented that the MSG had long conversations in previous years on USGS data, as well as the jobs data. Those were transparent decisions made by the MSG.*
  - o Ms. Taylor responded that when there is in fact production and they are simply not using a data source, they need to be careful not to represent that there is no production.

Final comments

Mr. Mussenden thanked the design team for reviewing the online report and the data with the MSG. He expressed excitement at how the website has been continuously improved and allows the MSG to respond in real time to user needs, and suggested that the report is less a final product than an evolving model for how to enhance public access to information. Even though the hard rock minerals data are incomplete, they can still generate important debate among users. Other countries, like Germany and Mexico, as well as EITI International, are already using the USEITI site as a model. The value of what the MSG and the design team have accomplished is being validated. The MSG then endorsed 2016 USEITI Report, Executive Summary, and Appendix.

  - ➢ **Endorsement: The MSG endorsed the 2016 USEITI Report, including the online report, the executive summary, and the appendix.**

E.   Meeting the EITI 7.1B Open-Data Requirement

Judy Wilson discussed and presented a draft USEITI MSG Endorsement of Open Data policy document. Under Requirement 7.1.b, which will come into force on December 31, 2016, the EITI International Board will require MSGs to "Agree on a clear policy on the access, release and re-use of EITI data." Ms. Wilson noted the key components of the USEITI approach to open data, including a January 2009 memorandum on rapid and accessible disclosure, a May 2013 Executive Order on open and machine readable government information, a December 2013 national action plan on open government, and a February 2015 discussion on open government data principles as the standard for contextual data in the USEITI Reports. Additional information can be found in Ms. Wilson's presentation slides, available online at:
https://www.doi.gov/sites/doi.gov/files/uploads/eiti_open_data_requirement.pdf.

Ms. Wilson suggested one minor revision to the language in the draft USEITI MSG Endorsement of Open Data, and requested the MSG endorse the policy with this revision. Ms. Johanna Nesseth, Chevron, suggested adding a sentence on documentation of which datasets are being used and why. With these two changes, the MSG approved the Endorsement of Open Data.

  - ➢ **Approval: The MSG approved the policy statement titled "USEITI MSG Endorsement of Open Data."**

F.   Communications Subcommittee Update

1.   Results of October Montana and Louisiana Outreach

Veronika Kohler, National Mining Association (NMA) and Chair of the Communications Subcommittee, reported on the outreach and listening sessions the subcommittee has implemented. She noted that the MSG is now conducting what it terms "listening sessions." On September 15, 2016, it conducted a session with Congress to showcase the USEITI report. The overall reaction was positive, and participants asked thoughtful questions on a variety of topics from USEITI's relationship to Dodd-Frank to the selection of the materiality threshold.

There were two listening sessions in Montana from October 5-6, 2016, and another listening session in Louisiana on October 19, 2016. The sessions were used to highlight the case studies that the subcommittee believed would attract greater participation. The Communications Subcommittee publicized the events through flyers, email lists, local media contacts, and social media blasts, and worked with the State and Tribal Opt-in Subcommittee. The Communication Subcommittee's email list alone now has over 600 personal and organizational recipients. The Communication Subcommittee also distributed information to roughly 20 local organizations.

Although there were good discussions in these meetings, the level of participation is still lower than they want. Ms. Kohler suggested it is possible they may not be doing a good enough job disseminating information, but noted that they engaged in substantial additional effort and it did not result in additional participation.

2.   Status of 2016-17 Communications Strategy

Ms. Kohler suggested that the MSG might rethink its strategy for outreach and the listening sessions. She noted that the Communications Subcommittee tried to be strategic in its outreach and planning for the Montana and Louisiana listening sessions, for example by making them easy for participants to attend, holding them at convenient times, and engaging with local leaders or conveners, but these approaches did not increase the level of public participation as compared to the previous round of outreach sessions. The subcommittee might need to consider overhauling its approach. For example, it might opt not to send representatives from all sectors, it might utilize the MSG more, or it might rethink which stakeholders to target. Additional information can be found in Ms. Kohler's presentation slides, available online at: https://www.doi.gov/sites/doi.gov/files/uploads/outreach_communication_presentation_nov2016_msg.pdf.

Ms. Kohler highlighted three main questions for future consideration:
- How can the Communications Subcommittee address limited turnout? Should it use forums with built in audiences?
- What kind of focused advertising works best on the local level?

- Which stakeholder groups is USEITI trying to attract, people from the county, students, members of Congress, or others?

During the facilitated discussion following Ms. Kohler's presentation, Mr. Field suggested participants think about successful meetings where lots of people have shown up, and the factors that made these meetings successful. MSG members made the following comments, organized by theme; *direct responses from Ms. Kohler are indicated in italics*.

Messaging
- People show up when they are angry about something, when there is a decision about to be made, when there is controversy surrounding an issue like corruption, or when the meeting involves something very local and directly connected to them. It is hard to get people to come out to "good news" events. Unless there is interest in both the subject matter and the people involved, meetings are unlikely to succeed. For these reasons, USEITI should try to directly link its information to a local policy issue or ongoing policy conflict, in which the data could help create a platform for debate. However, it should avoid being locked into any one controversy. In addition, it should message by geography and demographic, and not publicize using a one size fits all model.
- Targeting people through organizations can be effective. People may be open to new ideas or points of view endorsed by organizations with which they are affiliated. In addition, in the current political climate, communities likely will be paying a lot more attention to how development is conducted. This may present an opportunity for USEITI to foster increased interest in its work.

Advice for more effective meetings
- USEITI should explore engaging in preexisting events, conferences or public meetings, and working with partner institutions such as a local university, local representatives at a high school, or a rotary meeting. However, it should be aware that partnering and joining other events involves a longer planning timeline. In addition, industry representatives may have greater difficulty reaching out to people and getting on a meeting agenda as an EITI member, and it may be easier using a different rationale.
- The best events on complicated policy issues are held in Washington, because people in Washington understand what you are talking about and they know how to translate it back to their constituents back in the states. It is difficult, and more resource intensive, to do events outside Washington even if you use a local partner.
- The Communications Subcommittee should market its meetings by highlighting data of local concern, like the number of jobs created in your county, or the money being brought into your county. *For these most recent sessions, the*

Communications Subcommittee created one-pagers with this kind of information, and it was not effective in increasing participation.

- How does the Communications Subcommittee currently work to keep those people who do show up engaged? *The subcommittee uses sign up sheets at all events and if someone calls in it gets their information and puts them on its email list. Except for in Louisiana and with Congressional outreach, for the most part there have not been repeat attendees.* An MSG member suggested that instead of providing a flier that provides answers, the Communications Subcommittee could ask provocative questions like, "How many jobs have been created?" or "How much money is being generated and how much is coming back?"
- The Communications Subcommittee should do more to document the discussions at the listening sessions, so it can share the key messages that come out or the controversies that interest people with the MSG.

Representation at USEITI meetings

- The MSG may want to revisit the Terms of Reference stating that individuals should not represent the EITI process, so that all subsectors do not need to be represented at every outreach event. Historically, civil society and industry come from different perspectives, with industry trying to justify the value of its work to local communities, and civil society groups being somewhat hostile to industry interests. Over the past few years, members have built a lot of trust within the MSG, and at this point USEITI may be able to have representatives speak across constituencies, for example civil society could speak to the role of industry. *The subcommittee has not proposed this yet, and if it did so it would come back to the MSG first for input. The subcommittee may have a proposal on this issue in February.*

Targeting stakeholders

- USEITI should consider whether it is engaged in a "wholesale" or "retail" activity in collecting and disseminating information, and target more specific sets of stakeholders. It might try to speak more directly to undergraduates, graduate students and others in the communities and states it is working in who may have the time to actually use the data and but do not know it exists. USEITI could also ask university professors to integrate it into their work. Graduate school professors are always looking for datasets for their students to mine and analyze. Other potential target stakeholder groups include policymakers in Washington, DC or state capitals, legislative staff, state civil society, auditors, and landowners interested in pricing data.
- USEITI should explore developing partnerships with schools and universities. However, there is a question as to whether USEITI can go directly on campuses. USEITI cannot go on private campuses, but it may be able to go on public university campuses. The issue is about receiving gifts. However, USEITI has engaged in some outreach to universities. It has developed a list of deans at

particular schools, focusing on 18 priority states, and sent out emails. There may be a need to reach out in a more personal way, such as by phone.
- As USEITI moves forward with this work, it will be critical for MSG members to use their existing networks. For example, with Alaska and Wyoming in 2017, USEITI should put MSG people in the lead who are from those states.

G.   State and Tribal Opt-in Subcommittee Update

1.   Report Out and Update on Engagement with States and Tribes

Danielle Brian, Project on Government Oversight (POGO), Co-Chair, provided an update on engagement with states and tribes. Ms. Brian thanked MSG members for helping get Alaska, Wyoming, and Montana to agree to opt in to USEITI. She asked MSG members to reflect on which states it should be targeting in the future. For example, last year they connected with a representative from North Dakota who was enthusiastic about further engagement, and North Dakota already has a lot of information online.

Ms. Brian provided an update on tribal opt in. She noted that the Subcommittee recently had a meeting with the Blackfeet Tribe, which invited them to come back for a day-long meeting to talk about what opt-in would mean. They are also planning to try to reengage with the Osage tribe in 2017, which has expressed interest. They are hopeful there will be at least one tribe opt-in in 2017.

MSG members made the following comments and asked the following questions; *direct responses to questions and comments are indicated in italics, with the speaker indicated, as appropriate*:
- USEITI should target specific contacts. Dennis Roller, state auditor for contracting in North Dakota, should be its next target for engagement in North Dakota. Rinn Peterson from Colorado is another potential contact.
- The MSG should continue to use the process that Deloitte has developed for state and tribal outreach. How many states are in the Deloitte contract? *Deloitte representative: The current contract has three states and five total if tribes are included.*
- The USEITI should consider counties that stood out when MSG members were conducting calls to states about counties that were going to be featured, and use the information and contacts it gained from those calls. However, it is hard to say definitively which stood out without documentation. *Ms. Brian: In addition, there is a goal to target more East Coast states because currently USEITI is concentrated in the West.*
- USEITI should think about using a regional approach, since pipelines cross state lines.
- If there is interest from states outside the list of 18 states, could those be brought to the subcommittee? For example, in Virginia parts of the state would be very interested. *Yes, the subcommittee would not turn people away.*

2.   Presentation of Request for Extending Adapted Implementation

Mia Steinle, Project on Government Oversight, summarized a draft document being developed to request an extension of Adapted Implementation for USEITI's subnational and tribal opt-in. She noted that the MSG is requesting an extension for subnational reporting to the EITI International Board in light of the barriers to getting all states involved in USEITI. The document also notes that tribes are not subnational governments in the U.S. and USEITI does not believe they fall under the scope of EITI. Because the international audience might not understand the structure of tribal governance and sovereignty in the U.S., and why tribes should not be part of EITI unless they agree to it voluntarily, the document tries to lay this case out carefully.

The document also attempts to show how and why the MSG's view of what opt-in entails has evolved. Before, they had outlined three steps to the process: first they establish a point of contact, second they get a state member on the MSG, and third they move forward with enhanced opt in. Now, they no longer believe they can have members of subnational governments on the MSG because it would not be possible for the MSG to function with an additional 50 members. They have worked and will continue to work to ensure that subnational governments are involved even if they are not on the MSG, and the document describes the various degrees of engagement by Alaska, Wyoming, and Montana.

Jerry Gidner, Office of Natural Resources Revenue, provided further detail as to why tribes cannot be considered "subnational entities" under EITI standards. Tribes are sovereign entities and own their mineral resources. When the federal government collects revenue on these lands, it does so as a trustee and directs all of it back to the tribes. This trust responsibility prohibits the federal government from releasing data or compelling the tribes to release it. The document also notes important progress that has been made on these issues, such as the fact that three tribal governments have representatives on the MSG, and reports that they are in continued discussions with tribes.

MSG members made the following comments and asked the following questions; *direct responses to questions and comments are indicated in italics*:

- Mr. Mussenden commented that initially they referred to this as a request for partial adapted implementation because they can satisfy the requirement for disclosure of payments from the federal government to states. He noted that, in the document, he did not see much discussion of this fact.
  - *Ms. Steinle replied that they took the relevant language from the USEITI candidacy application and bolded the relevant portions of the requirement.*
  - Mr. Mussenden added that USEITI can satisfy the language in Requirement 5.2(a) because USEITI fully discloses transfers from the federal government to the states. He suggested noting this in the request for adapted implementation.

- Mr. Romig suggested that they should include in this request more about voluntary reporting and the government's move towards unilateral disclosure. Unilateral disclosure is a strong pillar of their application process, he suggested, and they have built most of the website around it.
- Mr. Harrington noted that since the U.S.' validation has been deferred until 2018, USEITI may want to look at this issue more closely next year and see if it can make the argument persuasively. *Ms. Steinle responded that this is a renewed request for an extension and it doesn't include a specific date.*
- Mr. Mussenden asked whether there was a decision to separate out the unilateral disclosure argument from this request.
  - *Ms. Brian responded that no such decision had been made to her knowledge, and noted that they can look to add more information on unilateral disclosure into this request.*
  - *Ms. Steinle suggested that this would be a good idea as long as they are clear that it is a Department of the Interior disclosure and not an MSG disclosure.*
- Mr. Romig commented that this document has been developed and vetted, and he did not want to delay it. However, given that they have talked a lot about this topic over the last 1.5 years, and emphasized that their data is reliable, he suggested they should include language about the strength of their unilateral disclosure.

The MSG agreed to add language to the document explaining that federal transfers to states have been unilaterally disclosed. Subsequently, the document was amended and the MSG decided to submit the Application for Extension of Adapted Implementation to the EITI International Board.

> **Decision: The MSG decided to submit the Application for Extension of Adapted Implementation to the EITI International Board. The USEITI Secretariat shall transmit the document to the EITI International Board on or before January 1, 2017.**

H.   IA Recommendations for 2017

There were a series of presentations and discussions on IA recommendations for 2017.

1.   Improving the Efficiency of the Reconciliation Process

John Mennel and Alex Klepacz, IA team members from Deloitte, presented ideas on how to make the reconciliation process more efficient over time without losing the value of transparency or disclosure. Mr. Klepacz noted that EITI Requirement 4 asks for reconciliation of data, taxes, and revenue. The question is how to meet that requirement more efficiently. The U.S. has now gone through the process for two years, and 19 of the 21 issues that came up in year two were also seen in year one. The IA team had considered three ideas to improve efficiency: sampling, review of the Department of Interior (DOI) audit process, or addressing margins of variance.

a)   Sampling

With respect to sampling, the IA recommended a sample size of 27 companies, including all 10 of the companies in the largest size strata, 9 of 13 companies in the middle size strata, and 8 of 18 companies in the bottom size strata. They then looked at the data they received for the full reconciliation process and compared it to what they would have received through sampling. Under the sampling procedure, total government non-tax revenues for in-scope companies went down, as did the total number of companies reconciled.

Mr. Mennel noted that IA was recommending not to go forward with sampling for at least another year for two reasons: 1) EITI countries are required to have a representative sample but because of the voluntary nature of reporting, USEITI might not have enough companies to create such a sample; and 2) right now USEITI has 80% of revenue accounted for, and that percentage would go down under sampling. This could result in bad optics before the EITI Board.

An MSG member asked the following question on sampling; *the response from Mr. Mennel is indicated in italics*:

- Is sampling intended as a one-time exercise to demonstrate whether it can meet the letter and spirit of the requirement, or would USEITI switch to it as means of reporting each year? *The idea was to assess whether USEITI should switch to it on an ongoing basis, and the IA team believes that this would not be advisable at this time.*

b)   Review of DOI Audit Procedures

Mr. Klepacz reported on the IA's review of DOI audit procedures. As part of the annual DOI audit process, an independent auditor performs set of procedures, including sampling and testing, to make sure financial statements meet a certain standard. In October 2016, the IA was asked whether USEITI could repurpose this audit process and see if it might satisfy EITI requirements, potentially with some modifications. The IA is set to begin looking at this question, and whether it might be more cost-effective than the current reconciliation process.

Mr. Gould noted that the Implementation Subcommittee would address this issue at its November 30, 2016 meeting, and have a conversation on timing and next steps. There will be a presentation on it at the February 1-2, 2017 MSG meeting. Mr. Gould also reminded the MSG of its intention to include a broader discussion of these issues as part of the contextual narrative, so it can be well documented in the 2017 Report if the MSG decides the new approach workable. An IA representative cautioned that it is unlikely these issues could be resolved in time for reconciliation in 2017. Given that EITI Requirement 4 specifies that governments and companies must provide data, and those data must be reconciled, the approach would likely need Board approval.

Mr. Mussenden suggested that if the IA's analysis supports the view that the current processes are equivalent to reconciliation, then the MSG would promote these processes. He suggested that this analysis may not be completed in time for companies to utilize it in 2017, but if so then the MSG would aggressively pursue it.

MSG members made the following comments and asked the following questions on DOI's audit procedures, organized by theme; *direct responses are indicated in italics, with the speaker's identity noted as appropriate*.

Clarifications and overall reactions
- What does reconciliation actually involve and how deep is the review? *Mr. Klepacz: It involves looking at the payments made and reported by companies, and the information provided by government on revenues reported by companies. The IA reconciles the two numbers and both governments and companies confirm their information is correct. If the company and government both report the same numbers, it is considered reconciled. But if the numbers are different, and outside a margin of variance, then the IA works with both to determine the source of the discrepancy. For example, it could be an issue related to timing, to pay.gov, or to classification.*
- This new approach might not just be more efficient, but also more meaningful and thorough. Currently you get companies' data and DOI's data. But DOI's data has come from those same companies. This new approach would use Treasury Department data on money received, and match it with companies' reporting to DOI. *Mr. Mennel: That characterization of the current approach is not entirely correct. USEITI is not just reconciling company data with company data. It is reconciling what ONRR shows it is owed with what companies say they're providing.*

Safeguards in the current system
- ONRR has a well-developed system and might already be doing what has been suggested.
  - *ONRR Representative: ONRR has a process involving thorough up front edits and data mining to make sure reported figures are reconciled.*
  - *Mr. Mennel: The IA will take a look at this issue. It's a fairly complicated topic so the IA should look at it carefully. The IA is looking at transaction level detail and finding opportunities to clean things up. It's possible the audit procedures will involve a broader set of transactions and be more comprehensive.*
  - *Industry representative: ONNR receives reporting from Oil and Gas Operations Reports (OGORs). Companies are required to submit volumetric information with meter statements, and they get audited on those meters. The auditor considers meters to be similar to cash registers, and they must match the money companies are reporting. The meters*

> *must have all the required technical specifications and controls, and the volumetric data are evaluated carefully.*
>   - *State Representative: Sometimes, states audit the federal system. In our state, for example, we initiated an audit and arrived at our own conclusions to make sure the state was getting its distributions as appropriate. The U.S. audit process exceeds anything EITI could ever hope to achieve. Reconciliation adds no value in the U.S., and the issue is simply whether to meet the EITI standard.*

- The initial reporting USEITI makes each year is from information reported by industry. It is not audited information. *Industry representative: The information has multiple safeguards to ensure it is accurate. Companies are required to notify the Bureau of Land Management (BLM) and the Bureau of Safety and Environmental Enforcement (BSEE) prior to any meter calibration on a transfer meter, and there are representatives from multiple institutions present witnessing the meter reading. BLM and BSEE get the meter statements and compare them against the reported data that companies file. They are looking monthly at the volume information on key company assets to ensure it matches both the company and the pipeline. Companies also need to show a pipeline statement and deliver it to BLM and BSEE for review. And when companies get audited, this information is turned over again.*
- USEITI needs to explicitly and carefully express where the data is being reported so that there are no questions about USEITI's process when the U.S. is validated. *Mr. Mennel: That is a good point. USEITI already does a fair amount of describing of the validation and controls process in the U.S. This process will help USEITI dig into details even more.*

Industry perspectives
- Industry has new evaluation rules and regulations coming into place in 2017. They will be costly and require realignment of resources. Industry is paying more attention to these requirements, which are mandatory, than to EITI, which is voluntary. In addition, companies are currently going through divestitures, which makes things even more complicated. With commodity prices at their current level, my company has 30% less staff than the first time it did this. Moving forward it will be difficult to maintain the same level of participation.
- The reconciliation process is labor intensive. It takes three or four man-weeks for big companies to do this. Just completing the report takes a lot of time, and then reconciliation takes even more time. The last few years that my company did it, it found nothing of substance. If USEITI were to make it easier it would find a lot more companies willing to participate.
- Companies have to be so careful that there are no inadvertent mistakes made with respect to their mandatory reporting requirements. They are working with fewer resources, managing new requirements, and trying to fulfill requirements that have stiff penalties for any inadvertent errors. They are unlikely to spend additional resources on something voluntary like EITI. *ONRR Representative:*

ONRR constantly tries to make changes and improvements to its process. ONRR tries not to penalize routine mistakes.

Timing
- Although the IA recommendation was to look at the audit process next and make any changes to the reconciliation process in 2018, the MSG should consider whether USEITI can implement recommendations on the DOI audit process and reconciliation in time for the 2017 Report.
    - o This is unlikely to be possible in 2017. Unlike the recommendation on margin of variance, which is entirely within the control of the MSG, the recommendation on the audit process involves other parties and will take longer. The MSG needs to ask the Board if it can do what the IA is suggesting.

Concluding thoughts
- Initially, the review of DOI audit procedures was also for purposes of determining the potential for mainstreaming. USEITI should include some linkages to that issue in the report.
- It is clear there is a lot of interesting work at many levels to ensure this data is accurate. However, that is not clear to the public. More information on DOI's audit procedures would help build trust in USEITI's processes. It is critical to document these procedures comprehensively.
- Despite the rigor of the ONRR process and industry data, it might not be sufficient to meet the international standard.

c) *Scope and margin of variance*

Mr. Klepacz next discussed potential changes to the scope and margin of variance of reporting as part of the MSG's annual agreement on the reconciliation process. The IA found examples of variances where the low dollar values of particular transactions resulted in high variance percentages. In one example, a 64.62% variance resulted from a $2,000 difference in reporting by the government and the company. Given that there are now two years of variances that have all been explained, the IA has suggested that it should study whether there may be ways to adjust the scope and margin of variances that could reduce the level of effort by companies and the government. USEITI now has 40 documented variances, all of which have been explained, and may be able to make some helpful changes.

MSG members made the following comments and asked the following questions on scope and margin of variance; *responses are indicated in italics, with the speaker's identity noted as appropriate*:
- One company had to investigate a $25,000 variance after generating millions of dollars in offshore extraction, instead of focusing on doing their jobs and perfecting safety and performance. *Industry representative: That variance resulted from a field problem.*

- Should these ideas be included in the Report?
  - *Mr. Mennel: They are amplifications of Recommendations 2 and 5. They're not in the Report because those are supposed to be broader recommendations, and because the MSG's thinking has progressed in the few months since the Report was drafted. In addition, this presentation is giving us the details behind the recommendations in the Executive Summary, and the MSG can add it to the Report next year.*
  - *Mr. Field: CBI will make sure to report on these ideas in the meeting summary.*
- Timing issues are very common. Companies and the government spend a huge amount of time reconciling the differences between their fiscal years. USEITI needs clear ways to spot timing issues that lead to variances and fast track them. How can USEITI address the calendar year reporting issue systematically to eliminate wasted time and effort when this issue comes up unexpectedly? *Mr. Klepacz: Now that the government and the company know of this particular issue, they can predict it moving forward and be able to address it very quickly. However, there is no way to look immediately at a variance and see that it is a timing issue. Unless you dig into it you can't know the cause.*
- The Executive Summary does not quite reflect what the MSG is hearing today. It states that USEITI should "include greater disclosure of transaction-level detail." That sounds like the exact opposite of what MSG members are now suggesting. This discussion should be documented, and the website should be supplemented when USEITI goes to the International Board.
- The MSG should be cautious about how it talks about margin of variance. The margin of variance exists because USEITI decided variances below a certain threshold are not material.

Mr. Mennel summarized the IA's recommendations on these options moving forward. Of the three options identified, the IA recommended that sampling not go forward for next year, but sampling could be revisited in the future. The IA also suggested that they review the DOI audit procedures to see if it is possible to supplement or replicate the reconciliation process, to implement in 2018. The IA also suggested the MSG take forward the recommendation to review the reconciliation scope for 2017 in light of the history of transactions they have developed. Additional information can be found in Mr. Klepacz and Mr. Mennel's presentation slides, available online at: https://www.doi.gov/sites/doi.gov/files/uploads/rr_efficiencies_msg_presentation_201 61109_vfinal.pdf.

Mr. Gould suggested that the subcommittee would consider the recommendations in the coming year.

2.   Key 2017 Decisions and Decision Dates
Sarah Platts reviewed the decisions that the MSG will need to make in February 2017. These include deciding which if any new commodities will be added to the scope of

reconciliation. Adding a new commodity would impact reporting and reconciliation, which requires MSG approval. Per Federal Advisory Committee Act (FACA) requirements, materials on this issue would need to be submitted to ONRR by January 17. Adding a new commodity would also mean generating two new county case studies. For these reasons, if there are any new commodities people want to add, this needs to be brought up to the subcommittee so they can be vetted.

In addition, the State and Tribal Subcommittee will need a final list of states and tribal opt-ins by April. Currently, the IA contract does not include state and tribal opt-ins or new commodities. They can be included if ONRR exercises an option, but ONRR needs to know to do this in time.

The February 2017 meeting will also involve deciding on new contextual narrative additions. In the meeting, the group will need to approve the topics, but not the actual work products. Ms. Platts noted that potential contextual narrative additions for 2017 include the following topics:
- A special highlight on renewable resources
- A special highlight on forestry
- An interactive way to sort through and navigate the laws, statues, and regulations based on relevant lands and natural resources

Mr. John Cassidy, IA team member from Deloitte, added that the February meeting could include more than these three topics, and members were free to suggest additional ideas.

Ms. Platts concluded her presentation by reviewing the reporting and reconciliation timeline for 2017 and the 2017 timeframes and deliverables. Additional information can be found in Ms. Platts's presentation slides, available online at: https://www.doi.gov/sites/doi.gov/files/uploads/20161108_2017_key_dates_and_decisions_vfinal.pdf.

MSG members made the following comments and asked the following questions on Ms. Platts's presentation; *responses from Ms. Platts and Mr. Cassidy are indicated in italics, with the speaker indicated*:
- Where did the three contextual narrative ideas come from?
  - *Mr. Cassidy: The IA collected them throughout the year. The IA tries to keep track of ideas people discuss in MSG or Subcommittee meetings.*
  - *Ms. Platts: They reflect what the IA has heard from members about spaces where there may be opportunities to tell more of the story from the U.S. perspective.*
- It would be helpful to talk about different types of technologies.

- Before the MSG decided on the content for the first report, there were some good materials developed regarding USEITI's thinking on renewables and forestry. The MSG should review those materials.

I.   Lease-level Unilateral Disclosure

Robert Kronebusch presented on the potential for DOI to move forward with lease-level unilateral disclosure, a step beyond the current unilateral disclosures. He noted that DOI currently unilaterally discloses calendar year 2013-2015 revenues at the company, revenue stream, and commodity levels on the USEITI Data Portal. There is a $100,000 per company (and its affiliates) reporting threshold. He then reviewed the ONRR definitions of "lease," "right-of-way" (ROW), and "right-of-use and easement" (RUE) as they would relate to the SEC Dodd-Frank Section 1504 definition of a "project'". He noted that the current lowest level of reporting that comes to DOI and ONRR is in the form of a lease. ONRR gets paid on the basis of leases, ROWs, and RUEs.

Mr. Kronebusch reviewed the number of leases, ROWs, and RUEs reported to ONRR in CY2015 (~47,000), which were disclosed on the data portal, and provided data on lease sizes. He noted that the Section 1504 project definition references agreements and that DOI has "communitization agreements" and "unitization agreements," and offered definitions for each. He suggested that unitization agreements can be very large, up to 1 million acres. He then presented figures on the number of agreements reported to ONRR in CY2015. The total number of leases, ROWs, RUEs, mines, and agreements for CY2015 was over 57,000, or roughly 10,000 more than the total number of leases. This is because, even though agreements aggregate leases, a single lease can be associated with many different agreements. The relationship between leases and agreements is complicated, and roughly a third of all leases are involved in communitization or unit agreements.

Mr. Kronebusch further noted that BLM and ONRR have different lease naming conventions and OSM collects at the mine level not the lease level. Additional information can be found in Mr. Kronebusch's presentation slides, available online at: https://www.doi.gov/sites/doi.gov/files/uploads/lease-level_udr_presentation_final_11-09-16.pdf.

MSG members made the following comments and asked the following questions on Mr. Kronebusch's presentation, organized by theme; *direct responses from Mr. Kronebusch, his colleague at ONRR, Nathan Brannberg, and others are indicated in italics, with the speaker identified as appropriate.*

Overall reactions and clarifications:
- Has ONRR looked at geographic interconnections? For example, in the Gulf of Mexico, there is one facility measurement point for oil and one for gas and they cover a dozen leases. Industry would call that one project and it could create a reconciliation problem. Does ONRR have all that information in its system? *Mr.*

Kronebusch: Yes, ONRR has all the information. Production is reported to ONRR at the facility measurement point, to a level of detail of every lease or agreement and well. That's where ONRR does some of its up front editing.

- It creates a reconciliation problem if ONRR reports at the lease level and industry reports at the project level. *Mr. Kronebusch: For reporting at the facility measurement point (FMP) level, there would need to be agreement on what the project is or how many FMPs come together. Some projects have multiple FMPs.*
- Is ONRR looking at both offshore and onshore production? *Mr. Kronebusch: Yes.*
- A ROW is in perpetuity, but the situation is not so clear with leases. USEITI should clarify this issue in the definitions, and not presume everyone knows these details.
  - *Mr. Kronebusch: With a lease, normally you have 10 years to produce and if you do, then it is in perpetuity, but if you don't it's not.*
  - *Industry representative: There is a primary term specified in the lease, and as production is maintained the lease will continue until production ceases.*
  - *Mr. Field: If USEITI goes to this level it sounds like there's a definitional issue of making sure people understand the details.*
- Could you clarify the sources of the data?
  - *Mr. Kronebusch: The source of the ONRR payments data is Form ONRR-2014, which covers oil and gas, NGLs, helium, and some others. For coal and solids it's Form ONRR-4053, the production and royalty report. For the items that cannot be paid on those two forms, ONRR used direct billing activities. Direct billing represents 1-2% of the total revenue.*
  - *Mr. Brannberg: For direct billing, also known as accounts receivables billing, there are a lot of rental payments, meaning that it involves a lot of contracts even if the total amount of revenue is relatively small. The rental payments are shown by lease.*
- What are the sources of revenues in the charts you showed? *Mr. Kronebusch: An estimated 80 is royalties. Bonuses and Rents are also a big source of revenue.*

Understanding unitization and communitization agreements:
- How much do unitization agreements affect accounting and how much are they a response to geology? It would be helpful to understand more about how unitization agreements relate to existing leases, and how many of them there are compared to unique leases. *Mr. Kronebusch: One difference is the complexity regarding reporting royalties. As far as ONRR is concerned, it doesn't matter whether it's a lease, an agreement, or anything else. For companies, it might be tougher because if it's an agreement they have to aggregate all their wells. Roughly half of what is reported to ONRR is from standalone leases and roughly half is from agreements. For auditors, it is important with agreements to make sure every lease is getting the correct allocation, because they have different*

royalty rates and you want to make sure the government gets every dollar it is due.

- What does it look like in practice for industry to report on communitization agreements versus unitization agreements? *Industry representative: With communitization agreements, they want to isolate well by well, so they can see the meter statement on the well head and know it is being reported for that communitization agreement. With a unit, companies take all the wells in that unit and accumulate them, typically designated to an FMP. Each lease will be given an allocation percentage of the unit, and companies will ignore the individual wells. It is easier to track the volume as they're commingled at the FMP.*

- For unitization agreements, the idea is that everyone agrees to an allocation for extraction that they agree is fair for a common reservoir, after a lot of analysis. They agree on an overall allocation but do not measure every well, and measure at the custody transfer point for the entire reservoir. For communitization agreements, they agree on every well. *Mr. Kronebusch: When royalties are reported for agreements, ONRR gets both the lease number and the agreement number. You need the lease number because that is how money gets distributed to the states, counties, or tribes.*

The Trade Secrets Act
- How do you determine if there is a Trade Secrets Act (TSA) problem and how is it handled in the reports?
  - *Mr. Kronebusch: The experts in the government determine what they feel could potentially cause competitive harm. If the government discloses numbers four or five months after the end of the year, and look at yearly not monthly revenues, some might conclude that there is minimal potential for competitive harm.*
  - *ONRR representative: When a request for information comes in, staff look into it to see if it might reach a threshold for causing competitive harm. It is easier for us to respond to these types of requests on a case-by-case basis than to report everything annually. The latter requires tremendous resources and time, although technically it is not difficult. The MSG should discuss this resource issue now and next year.*
- If you determine there's a Trade Secrets Act (TSA) problem, how is that reflected in the reports?
  - *Mr. Kronebusch: Currently in the data portal, there is a "W "for withheld, reported by the company. For oil and gas, if you go to the state website for a lease's production and have the lease number, you could theoretically figure out the price per barrel or mcf. For solid minerals it is stricter.*
  - *Industry representative: As long as there is a delay in the release of the information and it is broken down annually, not by month, there is less risk for companies in oil and gas. For hard rock it is different.*

- USEITI should be sure to explain to and educate the public about why there may be TSA issues with coal and other minerals, to avoid suspicion. USEITI should explain how unitization and communitization agreements work, and potentially even provide visualizations. It should look into creating an animated training module for the data portal.
  - *Mr. Kronebusch: ONRR already has reporter training two to three times a year and has many presentations on what these agreements are, and the life of a lease from cradle to grave. There are many kinds of educational materials like this that USEITI could put on the data portal.*
  - *ONRR representative: The MSG could add this as a special topic to next year's report. Linking the data portal to some of ONRR's training is a great idea. For example, ONRR has a new training system where it uses videos that the MSG could link into the data portal.*

Steps towards ONRR setting up a lease-level disclosures system:
- If ONRR decided to perform lease-level unilateral disclosure, would it just be a matter of feeding data into a spreadsheet once it is set up? *Mr. Kronebusch: ONRR has the information and could do it. ONRR had to do it for this presentation.*
- Based on information on bonuses and rents by lease, should USEITI present the revenues by lease? Would this be more meaningful than doing it by agreement?
  - *Mr. Kronebusch: Doing it by the lease only makes sense. Everyone can agree on what that number means, and it's simpler to track. With agreements it is difficult to keep track of all the layers.*
  - *ONRR representative: ONRR is committed to reporting out the leases at some point. ONRR wants to make it automated, so it does not need to create a spreadsheet each time. Otherwise, the data is out of date very quickly. ONRR has a system where you can send in a FOIA request and the staff will get back to you with the information. This works fairly well and if ONRR changes it, it wants to do it right.*
- From an industry perspective, if this is just unilateral disclosure of lease level data, then this could be a wonderful approach. But if USEITI tries to reconcile projects to the leases it could get messy, and industry likely will not report everything at the lease level under SEC 1504.
- From a stakeholder perspective, it would help to see what the leases look like without having to do a FOIA request, so you can know more about who the industry players are in your community. These developments are part of a wonderful story about something emerging from USEITI that is creating searchable, usable data that is making government more efficient.
- BOEM is already providing lease-level disclosure in the Outer Continental Shelf, so there is the beginning of a precedent for this in DOI.
- What is the source of the wait for ONRR to implement this? *ONRR representative: It is a matter of getting ONRR's technology to the point where it*

can do this in an automated fashion. It is a capacity challenge with respect to implementing a business intelligence unit.

- Does ONRR intend to unilaterally disclose lease level information where it can, except for when there is a TSA issue? *ONRR representative: Yes, ONRR is committed to doing that when it can do it in an automated fashion. If the MSG feels strongly it needs to do it in the interim using a spreadsheet to meet its mandate, then ONRR could do that but it may not make a lot of sense.*
- State and county level reporting seems of more interest to communities than lease level reporting, since leases cross several counties and likely will not mean a lot to people. Currently, the U.S. has reporting by state and county and should at least continue it at that level. However, both are useful and there are also reasons for the lease level data.

The EU system and EITI requirements:
- How does the EU manage this reporting issue? *Industry representative: The EU has a definition that is similar to the SEC definition. In the EU, projects are defined at the lease contractor agreement level, although there's a different term of art. There is the ability for some aggregation above the contract level, but the principle is close to a contract level.*
- What does the EITI require? ? *Industry representative: EITI says that once you start reporting at the project level though the SEC, you need to do that for EITI as well.*
- Does the EITI standard require reporting or reconciliation? *Industry representative: It requires reporting, but that's because project level reporting hasn't really started. Industry does not think it's practical to reconcile on a lease or project level. The government receipts aren't gathered on a project level. It would be difficult to package and report them.*
- USEITI should clarify that the EU rule is already in effect. Companies registered in the EU need to report revenue with respect to worldwide production including in the U.S. So companies there have already reported at the project level. And now SEC 1504 is being implemented.
- Is the expectation that industry will only release this data on an annual basis and USEITI would never go to real-time reporting, to avoid competitive harm? *ONRR representative: ONRR will be studying that issue as it implements this. ONRR sees some opportunities for real-time disclosure as information comes in, but it is not near to implementing that and it would need to consider how to put in appropriate protections.*
- Anything USEITI does that is common between the EU and the U.S. with respect to reporting will be helpful. Under EU Directive 10, it looks like the project is defined at the state level. Does anyone know how that will be implemented?
  - *Industry representative: It's subnational and project disclosure, but current reports may just have state level disclosures.*

o *Civil society representative: We have begun analyzing this issue and reaching out to industry colleagues to ask for the rationale for reporting at the state level. It is pending further analysis. In the EU Accounting and Transparency Directives "Project" is defined as "the operational activities that are governed by a single contract, license, lease, concession or similar legal agreements and form the basis for payment liabilities with a government". There is no reference made to a definition based on a political boundary, such as a state.*

J.   Beneficial Ownership Roadmap

Jim Steward, Department of the Interior, Paul Bugala, American University, and Mr. Harrington presented on work by the Beneficial Ownership Workgroup and sought approval from the MSG of a Beneficial Ownership Roadmap. They noted that guidance from the International EITI Secretariat requires that implementing countries agree and publish roadmaps for their beneficial ownership disclosures by January 1, 2017. In addition, implementing countries must request, and companies must disclose, beneficial ownership information for inclusion in their EITI reports as of January 1, 2020.

The presenters commented on areas in which the U.S. addresses beneficial ownership issues currently, such as the U.S. government's efforts within the G8's Financial Action Task Force (FATF), and a new rule and proposed legislation coming from the U.S. Department of the Treasury. They also reviewed existing avenues for disclosure of information on beneficial ownership in the U.S., including information collected by states, the IRS, and the SEC. They suggested, however, that DOI does not collect beneficial ownership information, and noted that the Workgroup would benefit from developing a more effective understanding of DOI authority. Additional information can be found in Mr. Steward, Mr. Bugala, and Mr. Harrington's presentation slides, available online at:
https://www.doi.gov/sites/doi.gov/files/uploads/beneficial_ownership_presentation_draft_10-17-16.pdf.

MSG members made the following comments and asked the following questions on the presentation; *direct responses are indicated in italics, with the speaker identified as appropriate:*

- Zorka Milin, Global Witness, suggested that the U.S. efforts are welcome but insufficient. She asked whether DOI would have authority to request information on beneficial ownership pursuant to its statutory requirement to determine interest in a lease, and suggested DOI might base its authority more broadly on issues related to conflict of interest or breaking the law. *Lance Wenger, DOI Office of the Solicitor, responded that DOI doesn't have a specific statute mandating it can gather this information. It does have a variety of different standards allowing it to get certain information, but the information it can gather under relevant statutes is limited by type of information and purpose. DOI is not authorized to gather more granular beneficial ownership information. DOI*

could, however, look into using the prohibitions on members of government owning leases in order to gather some additional information.

- Aaron Padilla, American Petroleum Institute, suggested that as the MSG considers next steps, a helpful frame could be to think of the problems that can arise from beneficial ownership, and which if any might be concerning in the U.S. He noted that, in the U.S., there are strong instruments preventing conflicts of interest in government, but there may be concerns about whether the public will get a good deal from the extraction of public lands and waters, or whether public policy will be used to enrich individuals.

- Isabel Munilla, Oxfam America, commented that regardless of the specific concerns in the U.S., the U.S. will need to meet the EITI requirement. The draft roadmap should map the existing system in the U.S. and how specifically it fits with the EITI requirements. This exercise might expose problems on coverage of companies, systems for collecting the data, and what governs public access.

- Mr. Dudis suggested that the group should look beyond just the federal context because the majority of all mineral extraction does not take place on federal land and because conflict of interest legislation in states and municipalities has important impacts. He also suggested that the MSG should look at how other countries have tried to define this issue, and be guided by a consideration of past scandals in the extractive industry that could have been prevented or exposed if additional beneficial ownership information had been available.

- Mr. Harrington noted that industry, and in particular large publicly held companies, are sympathetic to the beneficial ownership agenda. These companies face a big challenge with respect to due diligence in developing countries. The question is just mechanically how to implement it.

- Veronika Kohler, National Mining Association, expressed support for the idea of looking towards where the problem is and where the U.S. might still be vulnerable.

- Curtis Carlson, U.S. Department of the Treasury, noted that the beneficial ownership roadmap is focused on federally owned resources and there is no central database for privately owned resources and that in the U.S. there are a lot of privately owned resources.

- Mr. Bugala commented that there are examples in the U.S. where the creation of shell companies and the inability to identify beneficial owners has had detrimental effects. There are also examples of incorporated companies operating anonymously overseas.

- Mike Smith, Interstate Oil and Gas Compact Commission, commented that the U.S. is the only country in world that has private ownership of minerals, and that the judicial system is the most appropriate remedy to problems between private owners.

Mr. Field concluded the discussion by asking members if there were any objections to approving the draft roadmap and forwarding it to the EITI International Secretariat.

There were no objections and the MSG decided to submit the USEITI Beneficial Ownership Roadmap to the EITI International Secretariat.

> **Decision: The MSG decided to submit the USEITI Beneficial Ownership Roadmap to the EITI International Secretariat. The USEITI Secretariat shall transmit the document to the EITI International Secretariat on or before January 1, 2017.**

K.   Mainstreaming

John Cassidy, IA team member from Deloitte, presented the IA's assessment of the feasibility of mainstreaming. He commented that mainstreaming is based on an idea that drafting an annual EITI report may not be the best use of time for every country; it might be preferable to automate the process and make it part of the everyday business of the government and companies. He clarified that mainstreaming does not change what the EITI standard requires; rather, it is another way of meeting the requirement.

Mr. Cassidy reviewed the various steps for mainstreaming, noted that from now into next year the MSG is focused on studying the feasibility of mainstreaming, reviewed next steps in the IA's feasibility study, reviewed current processes and procedures related to mainstreaming in the U.S., and suggested a number of potential areas for the U.S. to improve its EITI performance and potential for success with mainstreaming. Potential areas for improvement include doing more to showcase unilateral disclosure already occurring in the U.S., filling the gap on tax and project-level reporting through SEC 1504, and better explaining the audit requirements that currently exist. He concluded by noting that a decision on mainstreaming did not need to be made at the present MSG meeting. Additional information can be found in Mr. Steward and Mr. Cassidy's presentation slides, available online at: https://www.doi.gov/sites/doi.gov/files/uploads/mainstreaming_msg_vfinal.pdf.

MSG members made the following comments and asked the following questions on the presentation; *direct responses are indicated in italics, with the speaker identified as appropriate:*
- I thought the MSG had agreed to conduct a pre-feasibility study, not a feasibility study.
  - *Mr. Gould: The MSG did discuss a pre-feasibility study. ONRR opted to have the IA start on a full feasibility study in order to keep moving forward if USEITI is to pursue mainstreaming. If there are concerns about this, the MSG can discuss this further.*
  - *IA team member: Upon review, the IA determined that the differences between a pre-feasibility study and a full feasibility study were minimal.*
- You mentioned the politics have changed on Dodd Frank. How so? *IA team member: There is now increased uncertainty on what might happen. Dodd Frank would play an important role if mainstreaming goes forward. The IA's view is*

mainstreaming would be a multi-year process, and in many ways would follow a parallel path with SEC 1504.

- What EITI documents authorize the criteria that the data must be comprehensive, up-to-date, and reliable, and are they really an adequate scoping for whether government data is helpful? *IA team member: The comprehensive, reliable and up-to-date standard is from the validation guidelines document. Two additional criteria might be data quality and transparency.*

- Commenters expressed diverse opinions on the significance of corporate income tax reporting and reconciliation. One suggested that what matters is that the USEITI numbers are adding up in reconciliation, and the taxes would therefore add up as well. Another commented that even if the Treasury Department has excellent systems, the U.S. is still falling short on making tax information publicly available. Another noted that it would be helpful for civil society to indicate if its priority right now is EITI compliance or tax reporting, so that USEITI can prioritize its efforts. *Mr. Cassidy noted that the IA will set up stakeholder interviews on the tax issue, which will likely happen between now and February. Mr. Mennel suggested there is an argument that what is required by 1504 is sufficient for mainstreaming.*

- There were various perspectives on how much of a "deal breaker" the tax issue will be for the U.S. One suggested it would definitely be a problem with the EITI International Board. Another noted that ONRR worked closely with the SEC to use USEITI as a means for compliance with the 1504 standard and suggested that will bode very well for mainstreaming. *An IA team member commented that it is impossible to know whether tax reporting is a deal breaker at this time. No other feasibility study has been conducted and the only other country going forward on mainstreaming is Norway. The language in the standard says "all transactions," which implies all companies. However, it is reasonable to assume that the board will draw the line somewhere short of "all transactions" for the sake of practicality but USEITI will need to make a case for where the line should be.*

- USEITI might be able to look at mainstreaming as an opportunity help maintain momentum on government efficiency.

L.   Validation Discussion

Mr. Gould initiated the conversation on validation by noting that the current date for the U.S. for validation is April 2018. He suggested the MSG enter the conversation on validation believing that the U.S. will be found compliant but also recognizing that the U.S. probably cannot be found compliant within the existing standard. There will be a global discussion on the standard that the U.S. can influence.

After these initial comments, Ms. Wilson presented an overview of validation. She reviewed the purposes of validation, steps in the validation process, key areas of validation requirements, and the core requirements any country must meet to avoid suspension. She also reviewed a draft pre-assessment for USEITI, estimating the level of progress by the U.S. on various EITI requirements. The draft pre-assessment included

the following suggested findings, using the color scheme of the International Secretariat to indicate the degree of progress:

- Satisfactory progress (marked green) on relevant requirements related to MSG oversight, licenses and contracts, monitoring production, revenue allocation, and socioeconomic contribution.
- Meaningful progress but still not satisfactory (marked yellow) on some revenue collection requirements.
- Progress beyond what is required (marked blue) on public debate and data accessibility.

Additional information and the detailed suggested findings can be found in Ms. Wilson's presentation slides, available online at: https://www.doi.gov/sites/doi.gov/files/uploads/validation_overview.pdf.

MSG members made the following comments and asked the following questions on the presentation, organized by issue; *direct responses are indicated in italics, with the speaker identified as appropriate.*

General comments:
- Under the current validation system most countries will fail, so there will need to be a conversation about flexibility for countries that are doing good things but cannot fully comply with the standard. The compliance challenges the U.S. is facing are not unique.
- There are opportunities within the standard, such as mainstreaming and adapted implementation, that the U.S. should take advantage of to maximize its chances. The U.S. does not have risks in areas like civic space, and it is making many disclosures that are exceeding the standard, which it can highlight. It can also be specific about areas where it has risks, like participation level of reporting and corporate income tax reporting.
- USEITI should not try to define down the standard in order to make it easier to comply. EITI was created to give people insight into where money was coming from in the extractive sector. The fact that USEITI not been able to do so speaks to some of the governance difficulties and corruption in the U.S.

Direct subnational payments:
- Direct subnational payments is yellow but if the USEITI Secretariat were to make it green the board would likely agree. *Ms. Wilson: It indicates USEITI has pursued adapted implementation.*

Data timeliness:
- Data timeliness should be blue because the requirement is no more than two years, and in the current USEITI report it is one year. *Ms. Wilson: That is a good point. The MSG should consider changing it.*

Data comprehensiveness
- Some commenters suggested that data comprehensiveness should be green instead of yellow because it is USEITI's fundamental program. Others suggested yellow is appropriate because many companies have not participated in revenue reporting. These commenters noted that the U.S. has gone above and beyond in some areas of data comprehensiveness (like unilateral disclosures) but is behind in others (like tax reporting), so it evens out to yellow. *Ms. Wilson explained that draft pre-assessment coded this issue as yellow because the government is prohibited from full disclosure of tax revenue and company reporting is voluntary. While Dodd-Frank Section 1504 may improve things, it is not yet implemented so USEITI cannot take credit for it. In addition, government reporting specifically is marked blue, but the overall requirement is marked yellow.*
- Some of the mining companies that are not in USEITI's current universe have shown greater willingness to disclose their taxes. If USEITI expands the universe of its companies, a side effect might be an improvement in USEITI performance on tax reporting.

Data quality
- The data quality requirement looks at the U.S.' audit and assurance practices and how USEITI ensures the quality of the government's unilateral data reporting. USEITI has done a great job of this in the 2016 Report and it should be green.

Disaggregation
- MSG members expressed various opinions on disaggregation. One highlighted the impact of the fact that the U.S. decided not to disclose project level revenues, while another noted that a U.S. regulator has made a commitment to project level reporting using a definition consistent with the global standard. One suggested that disaggregation should be marked "N/A" instead of yellow, because project-level data is not relevant to implementation of the standard, while another suggested it should be green because USEITI has disaggregated by company and commodity and that is the definition of disaggregation until SEC 1504 comes into effect. Another suggested that, regardless of the coding, the MSG should note that it does not think it will be a material issue for validation because the board is waiting until the EU and SEC rules are in place before enforcing the standard.
- In response to a question about whether USEITI needs company level and lease level data for the 2017 Report to say that it has met the disaggregation standard, *an IA representative noted that the main requirement is consistency with the SEC rule when it comes into effect. An ONRR representative further commented that Dodd Frank and the SEC rulemaking allow the U.S. to publish data at company levels but that the MSG can still continue discussions on project-level reporting.*

The EITI International Board will decide if the USEITI MSG's definition of success complies with the guidelines.

- Some comments focused on strategies for meeting the requirement even before SEC 1504 comes into effect, for example by ONRR reporting lease level data. One commenter noted that the Section 1504 law is in place and in effect, which means companies are required to be implementing the law even though first reports won't be out until 2018-19.

Documentation

- The MSG has been good about documenting recommendations from the IA and the associated MSG discussions. The requirement is that the MSG must discuss these issues and document how and why it has decided to address them, and the MSG in fact does that in its meetings.

Nature of the assessment

- Procedurally, what does the MSG need to do? *DOI and ONRR representatives and Mr. Field: The USEITI Secretariat will conduct an initial desk audit and MSG representatives can discuss it with them before the MSG submits it to EITI International. For the International Board to accept the application, the USEITI MSG must reach consensus, but there may be ways to finesse the issue of consensus. Then the International Board will make the final decision.*
- It is in the MSG's best interests to be in full agreement on the scoring for each requirement. It would a powerful statement to send to the Board to say that the U.S. is in complete compliance with the standard and that the full MSG agrees with this self-assessment.
- Can the U.S. still be validated if it fails on one issue? *ONRR and DOI representatives: Overall it is a broad grading system, except for the four requirements that EITI countries cannot fail: government engagement, company engagement, civil society engagement, and timely EITI reporting. The Board will make a determination on every individual requirement then look at all of those assessments cumulatively. They will look at USEITI's implementation in the context of the U.S. and the challenges USEITI has before it.*

Next, Ms. Wilson discussed the validation timeline and consequences of various validation scenarios, depending on the board's assessment of overall progress. She noted that after the first validation, countries have only one additional chance to achieve compliance 3 to 18 months later. If a country is found compliant, it will be reevaluated in three years. Details can be found on Ms. Wilson's presentation slides, as noted above. Participants offered the following comments and questions:

- The U.S. should be light green overall, but the EITI Board seems to believe that the U.S. is orange, indicating inadequate progress, primarily due to the tax issue. The USEITI Secretariat does not think this is a fair assessment. There are other countries considered green that have just as many issues as the U.S. To address

this issue the MSG should come to consensus that the U.S. is light green, and present that to the Board as a unified MSG on April 1, 2018.

- Participants differed in their predictions for how the Board is likely to react to the U.S. candidacy. Some suggested the Board may change how it thinks about validation issues after considering other countries because it will want to avoid suspending a large number of its members. Others suggested that the most essential part of EITI is transparency to citizens on revenues from the extractive sector, and if USEITI cannot provide that through tax information the Board will likely see it as a big problem. One participant suggested that in light of this potential outcome, MSG members should do everything they can to influence the regulatory process in the U.S. in a positive direction. One other participant questioned whether the U.S. will be compared to other wealthy countries or to poor countries that have severe capacity problems.
- Regarding the timing, the Board is currently way behind its validation schedule. It is unlikely that 18 months will actually be the maximum amount of time countries will receive until their second validation. For the U.S., the second validation will be at the end of 2020 at the earliest. It is likely that the regulatory situation in the U.S. will be more settled in time for the U.S. to survive the validation process.
- One participant suggested that USEITI could overcome challenges to validation if companies represented in the MSG agreed to disclose their taxes. Other participants noted that this issue is outside the control of MSG industry representatives, who have tried hard to educate their industry colleagues and leaders. Because corporate decisions on whether to disclose taxes are often made at the Board of Directors level, it is very difficult to get them to pay attention to EITI.

Mr. Gould outlined next steps on validation for USEITI, noting that the Implementation Subcommittee will be working on developing strong documentation to support USEITI's application, especially in the more challenging areas. Mr. Mussenden suggested it might be helpful for Implementation Subcommittee workgroups to explore possible areas of agreement on which requirements could be classified as "green" versus "yellow." Ms. Wilson suggested the MSG should be prepared well before the April 1, 2018 deadline with its validation pre-assessment.

IV. Public Comments

There was one public comment on Day 1 and a second on Day 2. On Day 1, Henry Salisman from the Navajo Nation commented that the data portal looks beautiful and thanked the MSG for its work. On Day 2, Henry Salisman, from a Navajo Nation thanked the MSG for its work. He noted he is a Native American citizen interested in the policy. In listening to the conversation, he heard lots of issues related to transparency, beneficial ownership, and the subnational status of Native American tribes, and he appreciated seeing Native American representatives on the MSG.

V.   Wrap Up / Closing

Chris Mentasti, USEITI Secretariat, reviewed the decisions made during the meeting. Mr. Field reviewed the action items and noted that they would be distributed to the group.

Mr. Mussenden, DOI and Acting DFO, closed the meeting with some final words. He noted that he had an incredible experience working with the MSG, and it had been wonderful to observe the evolution of the USEITI project. He suggested that USEITI cannot move forward unless there is consensus, and he was heartened and encouraged by the group's ability to work together. He praised the MSG members, wished them well, and thanked them for the opportunity to collaborate with them. Mr. Mussenden adjourned the meeting at 4:00 pm.

VI.   Meeting Participants

A.   Participating Primary Committee Members
Civil Society
Danielle Brian, Project on Government Oversight, USEITI MSG Advisory Committee Co-Chair
Paul Bugala, American University
Lynda Farrell, Pipeline Safety Coalition
Mike Levine, Oceana
Veronica Slajer, North Star Group
Betsy Taylor, Virginia Polytechnic Institute and State University

Government
Curtis Carlson, Department of the Treasury
Greg Gould, Department of the Interior, USEITI MSG Advisory Committee Co-Chair
Mike Matthews, State of Wyoming - Department of Audit/Mineral Audit Division
Mike Smith, Interstate Oil and Gas Compact Commission

Industry
Stella Alvarado, Anadarko Petroleum
Phillip Denning, Shell Oil Company
Susan Ginsberg, Independent Petroleum Association of America
John Harrington, ExxonMobil
Veronika Kohler, National Mining Association, USEITI MSG Advisory Committee Co-Chair
Johanna Nesseth, Chevron
Michael Blank, Peabody Energy

B.   Committee Alternates in Attendance
Civil Society
Daniel Dudis, Public Citizen
Zorka Milin, Global Witness

Jana Morgan, Publish What You Pay
Isabel Munilla, Oxfam America

Government
Jim Steward, Department of the Interior

Industry
Aaron Padilla, American Petroleum Institute
David Romig, Freeport-McMoRan Oil & Gas
Edwin Mongan, BHP Billiton Petroleum

C.   Members of the Independent Administrator Team in Attendance

John Cassidy, Deloitte & Touche
Luke Hawbaker, Deloitte & Touche
Alex Klepacz, Deloitte & Touche
John Mennel, Deloitte & Touche
Sarah Platts, Deloitte & Touche
Kent Schultz, Deloitte & Touche

D.   Government and Members of the Public in Attendance

Kimbra Davis, Office of Natural Resources Revenue
Troy Dopke, Department of Interior Office of Inspector General
Jerry Gidner, Office of Natural Resources Revenue
Jennifer Goldblatt, Office of Natural Resources Revenue
Mary Beth Goodman, National Security Council
Emily Hague, American Petroleum Institute
Michele Hertzfeld, GSA 18F
Sally Jewell, Secretary of the Interior
Corey Mahoney, GSA 18F
Tim Musal, Department of Interior Office of Inspector General
Paul Mussenden, Department of Interior
Charles Norfleet, Bureau of Ocean Energy Management
Jodie Peterson, Office of Natural Resources Revenue
Kathleen Richardson, Department of Interior Office of Inspector General
Henry Salisman, Navajo Nation
Mia Steinle, Project on Government Oversight
Alexandria Turner, Office of Natural Resources Revenue
Mary Warlick, Bureau of Energy Resources, U.S. Department of State
Lance Wenger, Department of the Interior Office of the Solicitor
Brenda Young, Office of Natural Resources Revenue

E.   Facilitation Team

Patrick Field, Consensus Building Institute
Toby Berkman, Consensus Building Institute

F. DOI MSG Support Team

Chris Mentasti, USEITI Secretariat
Judith Wilson, USEITI Secretariat
Kim Oliver, USEITI Secretariat
Nathan Brannberg, Office of Natural Resources Revenue
Robert Kronebusch, Office of Natural Resources Revenue
Treci Johnson, Office of Natural Resources Revenue

VII. Documents Distributed
- MSG Agenda ([PDF](#))
- June MSG Meeting Summary ([PDF](#))
- Executive Summary and Reconciliation Report ([PDF](#))
- MSG Endorsement of Open Data ([PDF](#))
- Beneficial Ownership Roadmap ([PDF](#))
  - Guidance Note 22 ([PDF](#))
- Request for Extension of Adapted Implementation ([PDF](#))
- USEITI Work Plan Narrative ([PDF](#))
- USEITI Work Plan Spreadsheet ([PDF](#))
- USEITI Reporting Decision Matrix ([PDF](#))

VIII. Transcript of Remarks by Secretary Jewell, November 16, 2016

Thank you all and thanks to all of you in the multi-stakeholder group for your hard work on this. It makes me very proud of our country and what we're able to do when we work together. I'm very proud of the work you do. And a special shout out to the Co-chairs, Veronika Kohler and Danielle Brian. Thank you very much. And of course our team at Interior. Paul [Mussenden] has been the champion for this and enlightened me on the whole process when I first got here, and Greg Gould. I'm really proud of the work that they've done and the work that all of you have done, bringing the perspectives of industry, the broad society, and government together.

I had an opportunity to talk with the governor of Alaska, and I appreciate their efforts joining this, and the governor of Wyoming. I was in Mexico not too long ago and urged Mexico to step up as an EITI country. They lose somewhere on the order 30% of their nation's resources between when it is produced and when it's sold and accounted for. There are a whole variety of reasons for that. But the purpose is to address the challenges of resource rich countries where it doesn't benefit all people.

I've played on the website and it's terrific. It's not something I might do for recreation, but it's great and it's making it easier to use. That's really important. I want to thank you

for the work you do and how proud you make me. Few people understand how resource extraction on public lands works in the country.

We just did an event earlier today with Blackfeet tribal leadership — we had them all in my office — and Devon Energy. Devon was voluntarily relinquishing its leases in the Badger-Two Medicine area in Montana. This is a sacred site to the Blackfeet Nation. It's an area bordering Glacier National Park.

There's growing awareness that places are appropriate for development and some places are too special for development. EITI helps shine a spotlight on where development is happening, how important it is to the economy and our country to power our future, and also that it needs to be done in the right ways in the right places. You're helping shine a spotlight and put the data in a much more usable format than it would be available otherwise. I think that's really helpful

The other thing I'd say is it was really chatty when I walked in here. I think that's terrific. Because we might be considered in some cases to be at opposite sides of issues, but when we come together as human beings with a common interest and love of our country, a common interest in economic development, and environmental protection. And if you're a company extracting resources, you want people to know how much you're contributing to the Treasury of the United States. This is exactly what you're doing. We shouldn't be sneaking around and we are not sneaking around.

From the first iteration of the website to where we are now it keeps getting easier to use, and more fun for recreational use. What you're also doing is providing a template, open source, that other people will use. The richest country in the world should be doing that. As the only G7 nation involved in this we are really putting ourselves out there. Open government data is really important.

I was in California for other business. I spent time visiting Google. Google has taken landsat data provided by USGS — what our nation's lands looked like since the satellite functions of 1970s. It's taken all of those magnetic tapes and put them in petabytes of machine-readable format. You can now go to Google Earth and look at a time lapse since the 70s, and see the changes in the landscape, see what's happened to reservoirs, see what's happened to development, see the impact that we have had, see what happened from Superstorm Sandy — it's very obvious when that came through. Open data, machine-readable data, accessible data, in a way that puts it in the hands of ordinary people, helps ordinary people make extraordinary decisions about not just the here but about future generations. That's what you've done with EITI. I want to congratulate you. Now we need to just get certified as an EITI country and then we can take what we've done to the rest of the world as we're already encouraging countries to do. I'm very proud of the work you do. Thank you.

To my colleagues in the Department of Interior who are going to be looking at a transition in political leadership but not a transition of career staff, the importance of staying the course on something like this I can't overstate enough. Those of you in civil society and the industry sectors, and other stakeholders, put yourself in the seat of our career staff right now who have no idea who they're going to be working for. It has got to be really difficult. Things like this help move our nation forward and there's no reason we should go backwards, and they won't because of the work you're doing in this multi-stakeholder group.

A profound thank you to all of you. This is will be my last meeting with all of you, I can guarantee that — unless I become a stakeholder, but I'll take a long break before I do that.

It has been a privilege and a pleasure to get to know your work, to meet with you in a setting like this, and see the contributions you've made that will make a difference not just now but for many generations to come. Thank you and congratulations.